



BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

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Order Instituting Rulemaking
Regarding Policies, Procedures and
Rules for the California Solar
Initiative, the Self-Generation
Incentive Program and Other
Distributed Generation Issues.

Rulemaking 06-03-004
(Filed March 2, 2006)

**THE DIVISION OF RATEPAYER ADVOCATES' OPENING COMMENTS
ON SAN DIEGO REGIONAL ENERGY OFFICE'S SOLAR WATER HEATING
PILOT PROPOSAL**

I. INTRODUCTION

The Division of Ratepayer Advocates (DRA) submits these comments on the Solar Water Heating (SWH) Pilot Proposal submitted by San Diego Regional Energy Office (SDREO) on May 26, 2006.¹ Overall, DRA strongly supports the SWH pilot program proposal submitted by SDREO. DRA's support for the pilot program design and recommendations are discussed as below.

II. DISCUSSION

A. DRA supports SDREO's proposal to pay incentives to installers.

SDREO proposes to disburse SWH incentives to installers/contractors, in contrast to the Energy Division staff proposal to pay solar photovoltaic installations to the system owner (i.e. the customer). DRA supports payment of incentives to the installers, rather than customers, for two reasons. First, payment of the incentive to the installer after verification that the system has been installed consistent with program standards shifts

¹ The June 8, 2006 Administrative Law Judge Ruling allowed parties to file comments on SDREO's proposal on June 23, and to file reply comments on July 10.

the risk of poor installations or system performance to the installer. This should motivate the installer to adhere to the quality standards established as part of the pilot program. Inspections of each and every installation to determine whether the installation meets program standards prior to the payment of any incentive should decrease the potential for problems such as those that existed the solar water heating industries in the 1980s.

Second, because the incentives cannot be marketed as a customer rebate, DRA expects a drop in the marketed cost of solar water heating system installations to reflect some sharing of the incentive dollars between the installer and the customer. It is unlikely that installers would be able to pocket the full incentive amount since customers can shop around and select an installer who offers the lowest price by passing more of the incentive dollars to the customer. On the flip side, if incentives are paid as a direct rebate to customers, the marketed cost of a system (before rebate) might actually go up².

B. DRA supports SDREO's recommendation to expand the SWH Pilot Program statewide.

SDREO recommends that the Commission consider a statewide SWH Pilot program, and that such "a statewide pilot could be administered by SDREO or similar to the current SGIP Program Administration method."³ This is similar to DRA's prior request that the Commission extend the regional SWH pilot to a statewide pilot.⁴

It is unclear that SDREO can successfully manage a statewide pilot based on its current pilot program design, which heavily leverages on SDREO's presence in the San Diego region and its relationship with SDG&E and local authorities. DRA recommends that should the Commission authorize a statewide SWH pilot program, the administration of the program in regions other than San Diego regions be delegated to the current SGIP program administrators, and that the pilot program design in these other regions follow the SDREO's proposal.

² See DRA Opening Comments on the Staff Proposal on Performance-Based Incentives submitted on May 16, 2006 p.9.

³ SDREO SWH Pilot Program Proposal, p. 17.

⁴ Id. p.9 -10.

C. DRA recommends that SDREO require an affidavit signed by both a licensed contractor and customer for each installed system prior to the disbursement of any program incentives.

SDREO proposes to begin evaluating the impacts of the SWH Pilot Program after the completion of the initial twelve months program period. The evaluation will cover the impacts of the SWH Pilot Program on equipment prices, demand and overall cost-effectiveness. To facilitate the evaluation process, DRA recommends that SDREO require an affidavit signed by both a licensed contractor and customer for each installed system prior to the disbursement of any program incentives. The affidavit should state the contractor license number, installed system efficiency, system costs and the amount of incentive paid. This will be similar to the customer affidavit used in the Standard Performance Contracting program administered by the IOUs that offers custom rebates for nonresidential retrofit of energy efficient equipment. Without such an affidavit, the process to verify system cost and incentives paid will be far more laborious. The administrator should be required to maintain the affidavits and records for each payment administered through the program for a period of five years. Record retention is critical for evaluation of program effectiveness and to assess potential fraud at the customer/installation level. The requirement for a licensed contractor is necessary for determination of contractor party of record and any necessary recourse.

D. DRA recommends a quarterly progress report, a Market Impacts Report that covers results from the first 12 month program period, and an Impact Evaluation Report that reflects energy savings.

SDREO states that it will “follow the reporting process set forth by the CPUC.”⁵ It also proposes an evaluation of the impacts of the SWH Pilot Program on equipment prices, demand and overall cost-effectiveness based on data gathered at the end of the

⁵ SDREO SWH Pilot Program Proposal, p. 9.

initial twelve-month program period. DRA supports such a “market impacts report” to be developed based on the first twelve months’ data, so that the report can be available prior to the end of the eighteen-month pilot period to help guide policy on whether to extend the pilot, or whether SWH could be subsumed into the IOUs’ energy efficiency portfolio. For cost-effectiveness calculations, DRA recommends that SDREO adhere to the definitions in the Standard Practice Manual and report on cost-effectiveness using both the Program Administrator Cost test and the Total Resource Cost test. This would be consistent with the cost-effectiveness evaluations of energy efficiency programs.

Additionally, DRA recommends that SDREO submit a quarterly report to the Commission as a periodic progress update on the pilot program. At a minimum, the progress report needs to track program expenditure against budget, system commitments and installations. The report should also include a compendium of contractor license numbers to which payments have been made during the period. This will hold SDREO accountable to the program results.

DRA also recommends the Commission condition its approval of the SWH pilot program on including a SWH Pilot Program Impact Evaluation Report as part of the program. This report would measure the energy savings based on the metered data. SDREO proposes to meter all Area Method systems for up to one year and selected Prescriptive Method systems. The report needs to cover systems installed throughout the eighteen-month program period, so that the earliest the report can be available is around thirty-three months after the launch of the program, allowing a three period for the preparation of the final report based on all metered data. It would be unpractical to wait for the load impact evaluation results to develop the market impacts report discussed above since the pilot program will be completed at the end of the eighteen-month period. The load impact evaluation results should be used to update the cost effectiveness of solar water heating systems.

III. CONCLUSION

For all the foregoing reasons, DRA respectfully recommends that the Commission adopt the SWH Pilot Proposal with the modifications discussed in its Opening Comments.

Respectfully submitted,

/s/ DIANA LEE

Diana Lee
Staff Counsel

Attorney for the Division of Ratepayer
Advocates

California Public Utilities Commission
505 Van Ness Ave.
San Francisco, CA 94102
Phone: (415) 703-4342
Fax: (415) 703-2262

June 23, 2006

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of “**THE DIVISION OF RATEPAYER ADVOCATES’ OPENING COMMENTS ON SAN DIEGO REGIONAL ENERGY OFFICE’S SOLAR WATER HEATING PILOT PROPOSAL**” in **R.06-03-004** by using the following service:

[X] **E-Mail Service:** sending the entire document as an attachment to all known parties of record who provided electronic mail addresses.

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Executed on June 23, 2006, at San Francisco, California.

/s/ **MARTHA PEREZ**

Martha Perez

N O T I C E

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* * * * *

david.kopans@fatspaniel.com
keith.mccrea@sablaw.com
doug.larson@pacificorp.com
lglover@solidsolar.com
spatrick@sempra.com
hchoy@isd.co.la.ca.us
susan-munves@smgov.net
mluevano@globalgreen.org
steve@energyinnovations.com
amber.dean@sce.com
case.admin@sce.com
mike.montoya@sce.com
rkmoore@gswater.com
michaely@sepcor.net
perkydanp@yahoo.com
irene.stillings@sdenergy.org
susan.freedman@sdenergy.org
mjskowronski@inlandenergy.com
rod.larson@sbcglobal.net
pepper@cleanpowermarkets.com
freedman@turn.org
rmd@cpuc.ca.gov
ek@a-klaw.com
sls@a-klaw.com
jpross@votesolar.org
jwmctarnaghan@duanemorris.com
chrishilen@dwt.com
jsqueri@gmssr.com
jwiedman@gmssr.com
mday@gmssr.com
sarahtuntland@yahoo.com
rjl9@pge.com
ssmyers@att.net
l_brown123@hotmail.com
bk7@pge.com
grant.kolling@cityofpaloalto.org
susank@bonair.stanford.edu
lex@consumercal.org
e.larsen@rcmbiothane.com
jharris@volkerlaw.com
carriec@greenlining.org
gmorris@emf.net
nonyac@greenlining.org
gary@sunlightandpower.com
tomb@crossborderenergy.com
arno@arnoharris.com
stephen@seiinc.org
michaelboyd@sbcglobal.net
julie.blunden@sunpowercorp.com

meganmmyers@yahoo.com
johnrredding@earthlink.net
michaelkyes@sbcglobal.net
vschwent@sbcglobal.net
cmkehrein@ems-ca.com
jjensen@kirkwood.com
atrowbridge@downeybrand.com
glw@eslawfirm.com
janmcfar@sonic.net
jluckhardt@downeybrand.com
wwwesterfield@stoel.com
kmills@cbbf.com
hfhunt@optonline.net
michelle.breyer@gs.com
obrienc@sharpsec.com
eyussman@knowledgeinenergy.com
ralph.dennis@constellation.com
cswoollums@midamerican.com
jimross@r-c-s-inc.com
ghinners@reliant.com
kjsimonsen@ems-ca.com
eshafner@solel.com
robert.pettinato@ladwp.com
cfaber@semprautilities.com
lurick@sempra.com
npedersen@hanmor.com
sendo@ci.pasadena.ca.us
slins@ci.glendale.ca.us
bjeider@ci.burbank.ca.us
roger.pelote@williams.com
mkay@aqmd.gov
paul.kubasek@sce.com
rishii@aesc-inc.com
liddell@energyattorney.com
mshames@ucan.org
scottanders@sandiego.edu
cmanzuk@semprautilities.com
jennifer.porter@sdenenergy.org
jyamagata@semprautilities.com
nathalie.osborn@sdenenergy.org
ofoote@hkcf-law.com
ekgrubaugh@iid.com
traceydrabant@bves.com
LowryD@sharpsec.com
lnelson@westernrenewables.com
gbeck@etfinancial.com
lfultz@unlimited-energy.com
mstout@unlimited-energy.com
mdjoseph@adamsbroadwell.com
diane_fellman@fpl.com

fsmith@sewater.org
mhyams@sewater.org
filings@a-klaw.com
tmorita@thelenreid.com
CEM@newsdata.com
david@pvnow.com
cp@kacosolar.com
jhamrin@resource-solutions.org
jtt8@pge.com
J1Ly@pge.com
jwwd@pge.com
LATc@pge.com
MNCe@pge.com
cpucsolar@rahus.org
tomhoff@clean-power.com
andy.vanhorn@vhcenergy.com
nellie.tong@us.kema.com
tony.foster@itron.com
phillip_mcleod@lecg.com
mrw@mrwassoc.com
rschmidt@bartlewells.com
cchen@ucsusa.org
jgalloway@ucsusa.org
robertg@greenlining.org
ksmith@powerlight.com
GLBarbose@LBL.gov
MABolinger@lbl.gov
rhwiser@lbl.gov
Dan.Thompson@SPGsolar.com
bmcc@mccarthylaw.com
sberlin@mccarthylaw.com
chrism@mid.org
mwalpert@pacpower.biz
lmerry1@yahoo.com
rmccann@umich.edu
gpickering@navigantconsulting.com
lpark@navigantconsulting.com
vfleming@navigantconsulting.com
scott.tomashefsky@ncpa.com
sfrantz@smud.org
karen@klindh.com
markgsp@sbcglobal.net
deb@a-klaw.com
kyle.l.davis@pacificorp.com
George.Simons@itron.com
mc3@cpuc.ca.gov
as2@cpuc.ca.gov
aes@cpuc.ca.gov
tam@cpuc.ca.gov
dsh@cpuc.ca.gov

dot@cpuc.ca.gov
cln@cpuc.ca.gov
jf2@cpuc.ca.gov
lp1@cpuc.ca.gov
psd@cpuc.ca.gov
rmd@cpuc.ca.gov
suh@cpuc.ca.gov
tdp@cpuc.ca.gov
vjb@cpuc.ca.gov
ppetgill@caiso.com
mscheibl@arb.ca.gov
gyee@arb.ca.gov
dks@cpuc.ca.gov
jewilson@energy.state.ca.us
pnarvand@energy.state.ca.us